

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6758

BILL NUMBER: SB 331

NOTE PREPARED: Jan 1, 2010

BILL AMENDED:

SUBJECT: Distribution System Improvement Charges.

FIRST AUTHOR: Sen. Breaux

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides that electric, gas, and water utilities may implement distribution system improvement charges (DSIC) as needed. (Under current law, only water utilities may implement DSICs.) It requires the Indiana Utility Regulatory Commission (IURC) to approve a DSIC unless the DSIC would produce revenues exceeding 5% of the utility's approved base revenues. It permits the IURC to approve a DSIC that produces revenues exceeding 5% of the utility's approved base revenues if the IURC determines that the DSIC is in the best interest of the utility and the utility's ratepayers. It provides that a public utility that implements a DSIC must appear before the IURC at least once every three years for review and revision of the utility's basic rates and charges. (Under current law, a utility must appear before the IURC at least once every four years.) The bill also requires the IURC to proportionately reduce the basic rates and charges of a utility that realizes cost savings from implementing a DSIC.

Effective Date: July 1, 2010.

Explanation of State Expenditures: *IURC:* This bill could increase administrative expenditures for the IURC. This bill allows electric, gas, and water utilities to implement distribution system improvement charges (DSIC) as needed subject to approval from the IURC. Current law allows only water utilities to recover eligible expenses through a DSIC. Also, the bill requires a public utility that implements a DSIC to go to the IURC every three years (instead of four years) for review and revision of rates and charges. Any increase in expenditures to the IURC would be offset by public utility fees.

State & Local Expenditures: State and local governmental entities may be subject to any changes in utility rates caused by the provisions in this bill.

Explanation of State Revenues: *Utility Rates:* To the extent that utility rates are affected by the provisions

in this bill, there will be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections.

Taxes: The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources:

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